



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
OFFICE OF THE STATE BUDGET  
LANSING

MARY A. LANNOYE  
DIRECTOR

August 11, 2006

The Honorable Shirley Johnson, Chair  
Senate Appropriations Committee  
Michigan State Senate  
State Capitol  
Lansing, Michigan 48901

The Honorable Scott Hummel, Chair  
House Appropriations Committee  
Michigan House of Representatives  
State Capitol  
Lansing, Michigan 48901

Dear Legislators:

Attached is the monthly financial report for the month ending June 30, 2006. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

[www.michigan.gov/budget](http://www.michigan.gov/budget) under "Financial Reports."

If you have questions concerning the information in this report, please contact this office.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mary A. Lannoye".

Mary A. Lannoye  
State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm  
Ken Sikkema, Senate Majority Leader  
Craig DeRoche, Speaker of the House  
Bob Emerson, Senate Minority Leader  
Diane Byrum, House Minority Leader  
Senate Appropriations Committee  
House Appropriations Committee  
Nancy Cassis, Chair, Senate  
Finance Committee

Fulton Sheen, House Tax Policy Committee  
John Burchett, Executive Office  
Tim Hughes, Executive Office  
Senate Fiscal Agency  
House Fiscal Agency  
Mike Moody, Financial Management  
Nancy Duncan, Deputy Director  
State Budget Office  
Internal Office of the State Budget  
Distribution

**GENERAL FUND, GENERAL PURPOSE**  
**Fiscal Year 2006**  
**Projected Revenues and Expenditures**  
**June 30, 2006**  
(\$ in millions)

	<b>FISCAL 2006</b>
<b>Beginning Balance, October 1, 2005</b>	<b>\$ 220.5</b>
<b>Revenues, Current Law:</b>	
<b>Current Year GF/GP Revenues, May 2006 Consensus Estimate</b>	<b>\$ 8,281.7</b>
<b>Adjustments to Consensus Baseline</b>	
<b>Additional Revenue Adjustments:</b>	
Revenue Sharing Freeze (PA 196 of 2005 and May 2006 Consensus)	\$ 350.6
Suspend County Revenue Sharing (PA 356 and 357 of 2004)	\$ 192.4
Non-Use of SBT Pharmaceutical Credit	\$ 10.0
Financial Institutions Fund Revenue Deposit to GF	\$ 15.0
Interest Earnings - Tobacco Securitization (PA 226 of 2005)	\$ 7.0
Agriculture Equine Industry Development Fund Revenue Deposit to GF (PA 42 of 2006)	\$ 2.0
Remonumentation Fund Revenue Deposit to GF (PA 76 of 2006)	\$ 15.0
Land Sales (including PA 179 of 2006)	\$ 47.0
Additional Tobacco Settlement Revenue	\$ 9.0
Tobacco Settlement Payments Withheld	\$ (34.6)
<b>Subtotal Additional Revenue Adjustments</b>	<b>\$ 613.4</b>
<b>Total FY Resources Available For Expenditure GF/GP</b>	<b>\$ 9,115.6</b>
<b>Expenditures, Current Law:</b>	
Enacted Post Vetoes	\$ 8,975.7
Enacted Supplemental (PA 226 of 2005)	\$ 1.0
Enacted Supplemental (PA 297 of 2005)	\$ 4.9
Enacted Supplemental (PA 153 of 2006)	\$ 22.2
<b>Anticipated Expenditure Adjustments:</b>	
Requested Family Planning Waiver Supplemental (May 22, 2006)	\$ 0.7
Pending Medicaid Caseload Supplemental - Staff Consensus (May 30, 2006)	\$ 1.3
Pending Human Services Caseload Supplemental - Staff Consensus (revised May 30, 2006)	\$ 11.3
Pending Supplemental (June 29, 2006 target agreement)	\$ 13.8
Projected Appropriation Lapses	\$ (25.0)
<b>Total Expenditures Projected</b>	<b>\$ 9,005.9</b>
<b>Projected Ending Balance, September 30, 2006</b>	<b>\$ 109.7</b>

# OFFICIAL BALANCE SHEET

## SCHOOL AID FUND Fiscal Year 2006 Projected Revenues and Expenditures June 30, 2006 (\$ in millions)

	FISCAL 2006
Beginning Balance, October 1, 2005	\$ 93.7
Current Year School Aid Fund Revenues, May 2006 Consensus	\$ 11,198.0
Adjustments to Consensus Baseline	
FY04 Audit Receivables Adjustments	\$ 3.0
Subtotal, School Aid Fund, Current Year Direct Resources	\$ 11,201.0
School Bond Loan Revolving Fund	\$ 44.5
General Fund Subsidy	\$ 62.7
	\$ 107.2
Federal Aid	\$ 1,392.6
Total Available SAF Resources	\$ 12,794.5
Expenditures	
Enacted Appropriations PA 155 of 2005	\$ 12,757.2
Revised cost estimates	\$ (56.5)
Adjusted Appropriations	\$ 12,700.7
Projected School Aid Fund Ending Balance September 30, 2006	\$ 93.8



# SUMMARY OF EXPENDITURES AND ENCUMBRANCES GENERAL FUND GROSS

June 30, 2006  
(\$ IN MILLIONS)

## FISCAL YEAR 2004-05

## FISCAL YEAR 2005-06

June 2005	Yr-to-date 2004-05	Fiscal Yr end SEP 30, 2005	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc June 2006	Exp & Enc Yr-to-date 2005-06
10.1	68.8	93.6	Agriculture	119.2	1.9	10.5	62.6
6.3	42.5	57.4	Attorney General	63.8	1.6	6.9	44.4
46.6	234.1	291.2	Capital Outlay	228.3	49.6	1.0	13.4
1.3	9.6	12.3	Civil Rights	13.2	0.5	1.6	9.9
2.3	17.6	25.3	Civil Service	35.9	0.0	2.8	20.2
162.0	1,605.2	1,909.7	Colleges & Universities	1,868.8	0.7	160.6	1,531.0
870.7	7,388.7	9,808.9	Community Health	10,203.9	98.2	907.5	7,020.0
177.3	1,259.0	1,682.4	Corrections	1,841.3	0.0	198.2	1,336.7
5.8	65.8	78.8	Education	101.1	3.3	6.6	50.7
17.4	128.6	178.5	Environmental Quality	410.5	1.5	14.8	131.0
0.5	3.6	5.0	Executive Office	5.4	0.0	0.6	3.9
3.7	35.8	53.9	History, Arts & Library	53.2	0.6	2.9	32.4
363.7	2,994.7	3,929.5	Human Services	4,423.9	5.5	363.8	3,089.9
0.0	0.0	0.0	Information Technology	0.0	0.0	0.0	0.0
14.8	148.9	207.0	Judiciary	255.4	0.2	16.6	147.6
54.5	510.4	719.9	Labor & Economic Growth	862.6	94.2	84.0	559.6
14.2	96.6	131.2	Legislature	129.7	0.7	14.7	99.5
11.7	110.6	151.9	Management & Budget	169.8	12.9	14.2	117.5
9.3	76.9	102.6	Military Affairs	111.6	2.3	10.6	80.3
7.1	58.2	74.4	Natural Resources	95.8	3.3	7.4	60.1
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
21.0	159.8	215.3	State	197.4	11.2	25.3	191.3
48.3	305.0	427.4	State Police	550.8	24.7	46.8	345.9
0.0	0.0	0.0	Transportation	0.0	0.0	0.0	0.0
179.4	1,210.6	1,528.7	Treasury	1,794.2	44.4	258.8	1,446.7
<b>\$2,028.0</b>	<b>\$16,531.0</b>	<b>\$21,684.9</b>		<b>\$23,535.9</b>	<b>\$357.2</b>	<b>\$2,156.2</b>	<b>\$16,394.6</b>

\*Includes boilerplate appropriations.

# ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2006

June, 2006

(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	15,734.7	3.0	15,737.7
Total state spending from state resources	27,094.4	554.4	27,648.8
Percentage of state spending from state resources paid to local units	58.07%		56.92%
Required payments to local units (48.97%)	13,268.1		13,539.6
Surplus/(deficit)	<u>\$2,466.6</u>		<u>\$2,198.1</u>

STATE OF MICHIGAN  
**YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES**  
**COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND**  
OCTOBER 1, 2005 THROUGH JUNE 30, 2006  
(in thousands)

**REVENUES**

Taxes	\$ -
From federal agencies	-
Miscellaneous	<u>36</u>
Total Revenues	<u>36</u>

**EXPENDITURES**

Current:	
General government	-
Education	-
Family Independence services	-
Public safety and corrections	<u>-</u>
Total Expenditures	<u>-</u>
Excess of Revenues over (under)	
Expenditures	<u>36</u>

**OTHER FINANCING SOURCES (USES)**

Proceeds from Bond Issues	-
Operating transfers from:	
State Lottery Fund	-
Other funds	<u>-</u>
Total operating transfers from other funds	-
Operating transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Excess of Revenues and Other	
Sources over (under) Expenditures	
and Other Uses	<u>\$ 36 <sup>1</sup></u>

<sup>1</sup> Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN  
**YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES**  
**MICHIGAN STRATEGIC FUND**  
OCTOBER 1, 2005 THROUGH JUNE 30, 2006  
(in thousands)

**OPERATING REVENUES**

Operating revenues	\$ -
Interest income	-
Investment revenue (net)	-
Miscellaneous:	
Federal revenues	-
Financing fees	1,593
Other	-
Total miscellaneous	<u>1,593</u>
Total Operating Revenues	<u>1,593</u>

**OPERATING EXPENSES**

Salaries, wages, and other administrative	-
Interest expense	-
Depreciation	-
Purchases for resale	-
Other operating expenses:	
Loan loss expense	-
Tuition benefit expense	-
Amortization of deferred issue costs	-
Miscellaneous	1,501
Total other operating expenses	<u>1,501</u>
Total Operating Expenses	<u>1,501</u>
Operating Income (Loss)	<u>92</u>

**NONOPERATING REVENUES (EXPENSES)**

Federal grant revenue	-
Interest revenue	-
Other nonoperating revenues:	
Tribal gaming revenue	-
Other nonoperating revenue	-
Total other nonoperating revenues	<u>-</u>
Nonoperating grants	-
Interest expense	-
Other nonoperating expense	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>
Income (Loss) Before Operating Transfers	<u>92</u>
Net Income (Loss)	<u>\$ 92 <sup>1</sup></u>

<sup>1</sup> Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.



STATE OF MICHIGAN  
**YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES**  
**MICHIGAN NATURAL RESOURCES TRUST FUND**  
 OCTOBER 1, 2005 THROUGH JUNE 30, 2006  
 (in thousands)

**REVENUES**

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>34,089</u>
Total Revenues	<u>34,089</u>

**EXPENDITURES**

Current:	
General government	-
Conservation, environment, recreation, and agriculture	2,185
Capital outlay	<u>21,159</u>
Total Expenditures	<u>23,344</u>
Excess of Revenues over (under) Expenditures	<u>10,745</u>

**OTHER FINANCING SOURCES (USES)**

Proceeds from bond issues	-
Proceeds from sale of capital assets	106
Operating transfers from other funds	-
Operating transfers to other funds	<u>(10,012)</u>
Total Other Financing Sources (Uses)	<u>(9,906)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 839 <sup>1</sup></u>

<sup>1</sup> Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

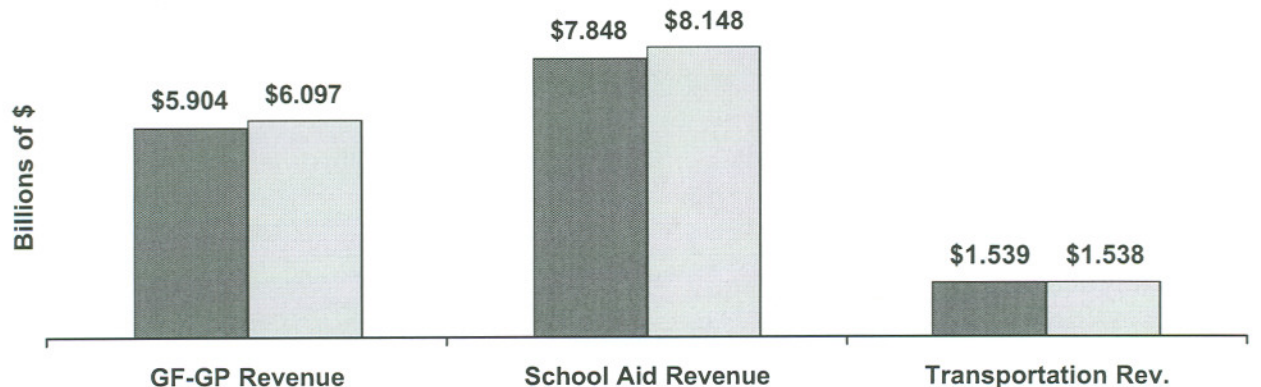
**REVENUE OVERVIEW**  
Economic and Revenue Forecasting Division  
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for June 2006, representing some May and some June economic activity in Michigan.

Total General Fund - General Purpose cash collections were \$40.0 million (5.8 percent) higher in June 2006 than in June 2005. The increase is due in part to the timing of withholding tax and single business tax collections. June School Aid Fund cash collections were \$16.8 million (2.1 percent) higher than in June 2005. June transportation collections were \$1.5 million (0.9 percent) higher than in June 2005 (see revenue table). June is the ninth month of the state's fiscal year. Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are up \$193.0 million (3.3 percent) from a year ago. School Aid Fund cash collections are up \$299.6 million (3.8 percent), and transportation collections are down \$1.9 million (0.1 percent).

The FY 2005-2006 revenue projections presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on May 17, 2006. The Consensus estimate for net General Fund – General Purpose revenue for FY 2005-2006 is \$8,281.7 million and the net School Aid revenue forecast is \$11,198.0 million. The Transportation Funds revenue forecast is \$2,238.5 million. The revenue projections for each tax are shown after all tax adjustments. The next regularly scheduled revenue conference will be held in January 2007.

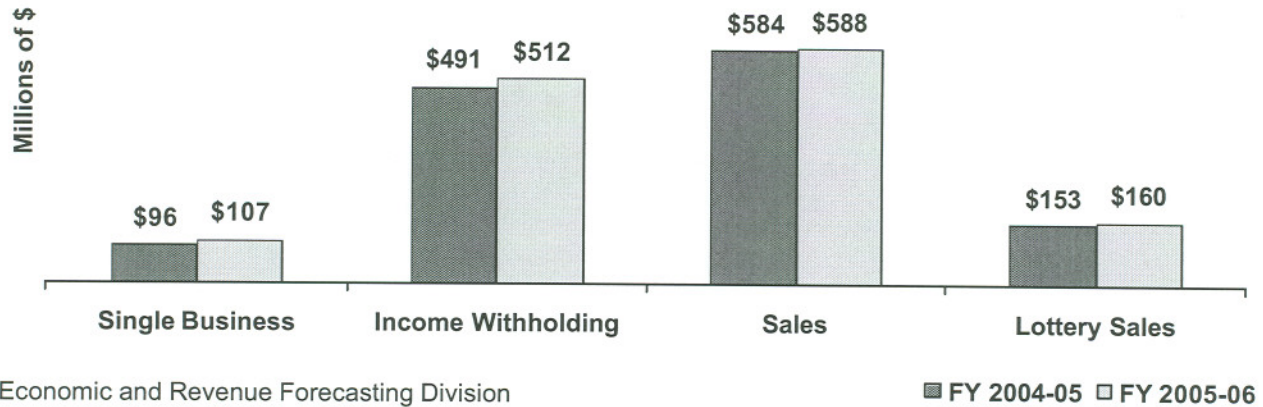
**October through June Collections  
Fiscal Years 2004-05 and 2005-06**



Economic and Revenue Forecasting Division

■ FY 2004-05 □ FY 2005-06

### June Revenue Collections Fiscal Years 2004-05 and 2005-06



### October through June Collections Fiscal Years 2004-05 and 2005-06





**Revenue Summary 2005-06**  
**General Fund-General Purpose, School Aid, and Transportation Funds**  
(in thousands)

**For The Month Ended: June 30, 2006**

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH JUNE CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
June		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual Totals (e)	Statutory Estimate	May 2006 Consensus
Income Taxes											
\$490,566	\$512,308	\$21,742	4.4%	Withholding	\$4,859,268	\$4,884,248	\$24,980	0.5%	\$6,427,400	\$6,607,100	\$6,516,600
135,093	150,122	15,029	11.1%	Quarterlies	474,169	546,411	72,242	15.2%	643,000	670,100	722,000
12,903	8,777	(4,126)	-32.0%	Annuals	606,523	660,747	54,224	8.9%	648,600	624,200	695,100
638,563	671,208	32,645	5.1%	Gross Collections	5,939,960	6,091,407	151,447	2.5%	\$7,719,000	\$7,901,400	\$7,933,700
48,262	47,979	(284)	-0.6%	Less: Refunds	1,565,904	1,570,039	4,135	0.3%	1,610,800	1,725,000	1,679,000
0	0	0	na	State Campaign Fund	0	0	0	na	1,500	1,500	1,500
590,300	623,229	32,929	5.6%	Net Personal Income	4,374,056	4,521,368	147,312	3.4%	\$6,106,700	\$6,174,900	\$6,253,200
159,641	174,514	14,873	9.3%	Less: Disbursements to SAF	1,484,990	1,583,766	98,776	6.7%	\$1,985,600	\$2,051,000	\$2,058,800
\$430,660	\$448,715	\$18,055	4.2%	NET PERSONAL INCOME TO GF-GP	\$2,889,066	\$2,937,602	\$48,536	1.7%	\$4,121,100	\$4,123,900	\$4,194,400
Consumption Taxes											
\$8,470	\$7,616	(\$854)	-10.1%	Sales (a)	\$66,773	\$59,553	(\$7,220)	-10.8%	\$99,200	\$114,700	\$106,200
79,857	83,113	3,255	4.1%	Use	680,279	690,371	10,093	1.5%	934,700	963,600	941,100
9,300	20,791	11,490	124.0%	Tobacco	85,678	170,903	85,224	99.0%	116,500	228,100	235,300
4,804	5,215	410	8.5%	Beer, Wine & Mixed Spirits	36,412	36,491	79	0.2%	51,000	52,500	52,000
2,637	2,594	(43)	-1.6%	Liquor Specific	21,804	22,476	672	3.1%	33,600	34,000	34,000
\$105,070	\$119,329	\$14,259	13.6%	TOTAL CONSUMPTION TAXES	\$890,946	\$979,794	\$88,847	10.0%	\$1,234,900	\$1,392,900	\$1,368,600
Other Taxes											
\$96,283	\$106,596	\$10,313	10.7%	Single Business	\$1,455,156	\$1,505,481	\$50,325	3.5%	\$1,913,500	\$1,913,800	\$1,852,900
1,419	1,154	(264)	-18.6%	Insurance Premiums Taxes	179,328	167,883	(11,445)	-6.4%	249,500	240,000	235,000
97,702	107,750	10,048	10.3%	Sub-total SBT & Insurance	1,634,484	1,673,364	38,880	2.4%	2,163,000	2,153,800	2,087,900
2,493	(260)	(2,754)	na	Inheritance / Estate	25,241	473	(24,768)	-98.1%	101,500	8,000	1,000
133	90	(43)	-32.4%	Telephone & Telegraph	45,874	46,522	649	1.4%	99,100	81,300	83,000
11,516	6,627	(4,890)	-42.5%	Oil & Gas Severance	51,387	68,909	17,522	34.1%	66,700	60,000	94,000
3,241	3,718	476	14.7%	Casino Wagering	31,695	33,701	2,006	6.3%	42,200	43,100	44,100
8,773	14,348	5,575	63.6%	Penalties & Interest	85,887	113,113	27,226	31.7%	142,500	108,000	146,700
17	0	(17)	-99.3%	Miscellaneous Other/Railroad	159	128	(31)	-19.6%	1,200	0	0
(6,667)	(7,667)	(1,000)	15.0%	Treasury Enforcement Programs (f)	(60,000)	(66,000)	(6,000)	10.0%	(91,200)	(80,000)	(92,000)
\$117,209	\$124,605	\$7,396	6.3%	TOTAL OTHER TAXES	\$1,814,727	\$1,870,211	\$55,484	3.1%	\$2,525,000	\$2,374,200	\$2,364,700
\$652,938	\$692,649	\$39,711	6.1%	SUBTOTAL GF-GP TAXES	\$5,594,739	\$5,787,606	\$192,867	3.4%	\$7,881,000	\$7,891,000	\$7,927,600

continued

**Revenue Summary 2005-06**  
**General Fund-General Purpose, School Aid, and Transportation Funds**  
(in thousands)

**For The Month Ended: June 30, 2006**

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH JUNE CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
June		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual Totals (e)	Statutory Estimate	May 2006 Consensus
Non-Tax Revenue (f)											
\$2,917	\$2,917	\$0	0.0%	Federal Aid	\$26,250	\$26,250	\$0	0.0%	\$35,700	\$35,000	\$35,000
167	167	0	0.0%	Local Agencies	1,500	1,500	0	0.0%	300	2,000	2,000
1,500	1,500	0	0.0%	Services	13,500	13,500	0	0.0%	19,800	18,000	18,000
4,500	2,833	(1,667)	-37.0%	Licenses & Permits	40,500	30,500	(10,000)	-24.7%	27,400	54,000	34,000
0	0	0	na	Investments/Interest Costs	(6,079)	(4,312)	1,766	-29.1%	(54,400)	(85,000)	(70,000)
9,433	12,050	2,617	27.7%	Misc. Non-tax Revenue	84,900	103,425	18,525	21.8%	135,100	124,500	144,600
11,333	11,667	333	2.9%	Liquor Purchase Revolving Fund	102,000	103,500	1,500	1.5%	142,200	134,000	140,000
5,192	4,208	(983)	-18.9%	From Other Funds-Lottery & Escheats	46,725	35,075	(11,650)	-24.9%	111,700	39,300	50,500
\$35,042	\$35,342	\$300	0.9%	TOTAL NON-TAX REVENUE	\$309,296	\$309,438	\$141	0.0%	\$417,800	\$321,800	\$354,100
\$687,980	\$727,991	\$40,011	5.8%	TOTAL GF-GP REVENUE	\$5,904,035	\$6,097,044	\$193,009	3.3%	\$8,298,900	\$8,212,900	\$8,281,700
School Aid Fund											
\$237,764	\$239,724	\$1,961	0.8%	Sales Tax 4%	\$1,986,454	\$2,011,666	\$25,212	1.3%	2,690,000	2,814,800	2,738,800
187,679	188,089	410	0.2%	Sales Tax 2%	1,561,135	1,570,091	8,956	0.6%	2,115,700	2,213,600	2,144,900
39,929	41,556	1,628	4.1%	Use Tax 2%	340,139	345,186	5,046	1.5%	467,600	481,800	470,500
25,472	32,971	7,499	29.4%	State Education Property Tax	1,260,866	1,381,670	120,803	9.6%	1,914,500	1,956,900	2,010,000
27,629	22,329	(5,300)	-19.2%	Real Estate Transfer Tax	229,930	231,725	1,795	0.8%	313,500	316,000	320,000
60,000	40,000	(20,000)	-33.3%	Lottery Transfer (b)	434,883	475,579	40,697	9.4%	667,600	654,300	708,500
7,502	8,604	1,102	14.7%	Casino Wagering Tax	73,351	77,993	4,642	6.3%	97,600	99,700	102,000
2,528	2,575	47	1.9%	Liquor Excise Tax	21,441	22,281	840	3.9%	33,100	34,000	34,000
37,294	42,209	4,915	13.2%	Cigarette/Tobacco Tax	343,561	346,958	3,397	1.0%	472,700	463,100	473,300
2,691	11,810	9,119	339.0%	Indus. & Comm. Facilities Taxes	106,640	93,128	(13,512)	-12.7%	138,200	133,000	123,000
513	1,101	588	115.0%	Specific Other	4,823	7,739	2,915	60.4%	13,600	14,800	14,100
159,641	174,514	14,873	9.3%	Income Tax Earmarking	1,484,990	1,583,766	98,776	6.7%	\$1,985,600	\$2,051,000	\$2,058,800
\$788,640	\$805,482	\$16,842	2.1%	TOTAL SCHOOL AID FUND	\$7,848,214	\$8,147,780	\$299,566	3.8%	\$10,909,700	\$11,233,100	\$11,198,000
\$583,952	\$587,630	\$3,678	0.6%	SALES TAX 6%	\$4,871,892	\$4,922,867	\$50,975	1.0%	\$6,599,100	\$6,905,000	\$6,709,600
396,273	399,540	3,268	0.8%	SALES TAX 4%(d)	3,310,757	3,352,776	42,019	1.3%	4,483,400	4,691,400	4,564,700
187,679	188,089	410	0.2%	SALES TAX 2%	1,561,135	1,570,091	8,956	0.6%	2,115,700	2,213,600	2,144,900
119,786	124,669	4,883	4.1%	USE TAX 6%	1,020,418	1,035,557	15,139	1.5%	1,402,300	1,445,500	1,411,600
11,206	12,853	1,646	14.7%	CASINO WAGERING TAX	109,574	116,508	6,934	6.3%	145,800	149,000	152,400
92,083	104,477	12,393	13.5%	TOBACCO TAXES	848,299	858,807	10,508	1.2%	1,179,900	1,145,500	1,179,500
0	0	(0)	na	TOBACCO SETTLEMENT	274,327	254,616	(19,711)	-7.2%	na	na	na
299	0	(299)	-100.0%	CIGARETTE INVENTORY TAX	0	0	0	na	na	na	na

continued



**Revenue Summary 2005-06**  
**General Fund-General Purpose, School Aid, and Transportation Funds**  
(in thousands)

For The Month Ended: June 30, 2006

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH JUNE CASH COLLECTIONS DATA						REVENUE PROJECTIONS		
June		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2004-2005	2005-2006	2005-2006	
2005	2006	Amount	Percent		2004-05	2005-06	Amount	Percent	Actual Totals (e)	Statutory Estimate	May 2006 Consensus	
Major Transportation Revenues												
\$11,602	\$15,023	\$3,421	29.5%	Diesel Fuel / Motor Carrier Fuel Tax (g)	\$107,102	\$112,133	\$5,031	4.7%	\$146,308	\$151,100	\$153,000	
79,516	78,590	(926)	-1.2%	Gasoline	677,868	667,622	(10,246)	-1.5%	922,368	942,000	918,000	
72,158	71,896	(262)	-0.4%	Motor Vehicle Registration	661,332	667,269	5,936	0.9%	863,367	891,300	892,000	
6,506	4,816	(1,691)	-26.0%	Other Taxes, Fees & Misc.	50,720	37,014	(13,706)	-27.0%	221,060	190,013	207,719	
4,712	5,719	1,007	21.4%	Comprehensive Transportation (c)	42,410	53,512	11,103	26.2%	62,749	76,793	67,751	
\$174,495	\$176,044	\$1,549	0.9%	TOTAL MAJOR TRANS. REVENUES	\$1,539,432	\$1,537,550	(\$1,882)	-0.1%	\$2,215,852	\$2,251,205	\$2,238,470	
Lottery Sales By Games												
52,297	53,573	1,275	2.4%	Instant Games	493,913	530,477	36,564	7.4%	na	na	na	
52,849	53,565	716	1.4%	Daily Games	530,143	519,347	(10,796)	-2.0%	na	na	na	
20,552	17,507	(3,045)	-14.8%	Lotto and Big Game	216,526	244,362	27,836	12.9%	na	na	na	
1,036	1,106	70	6.7%	Keno Game	9,810	10,710	900	9.2%	na	na	na	
0	0	0	na	Changeplay Game	0	0	0	na	na	na	na	
26,380	33,927	7,546	28.6%	Club Games	272,853	345,307	72,454	26.6%	na	na	na	
\$153,116	\$159,678	\$6,563	4.3%	TOTAL LOTTERY SALES	\$1,523,245	\$1,650,204	\$126,959	8.3%	na	na	na	

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

c The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

d 2% collections adjusted to reflect exemption on residential utilities.

e Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

f Non-tax revenue items other than interest are estimates.

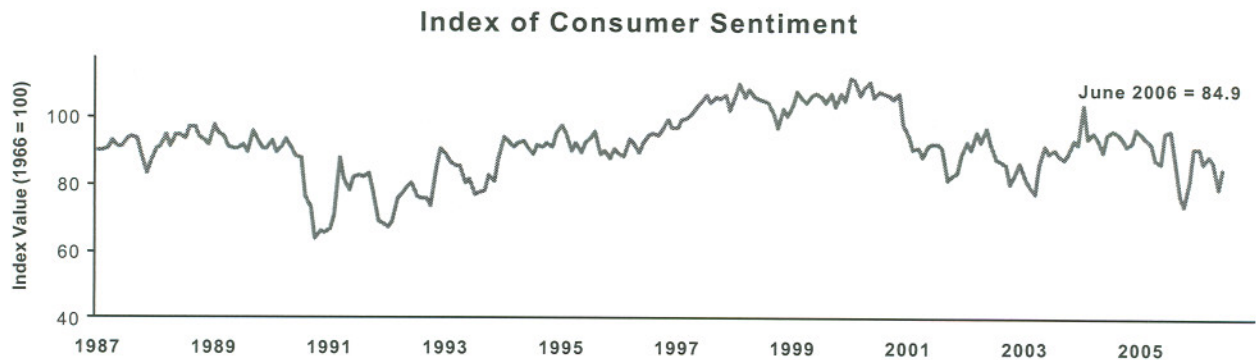
g Starting in January 2005, totals include revenue from the Motor Carrier Fuel Tax. Prior year totals have been adjusted to also include the Motor Carrier Fuel Tax.

Source: Michigan Department of Treasury, Economic and Revenue Forecasting Division, based on reports from the Office of Financial Management, Michigan Department of Management and Budget, and other reports from the Michigan Department of Treasury.

## Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

### U. S. Economy



Source: University of Michigan, Survey Research Center

The **Index of Consumer Sentiment** was 84.9 in June, 5.8 index-points above the May value but 11.1 index-points below June 2005. On the increase in confidence this month, Survey director Richard Curtin reported, "While the data reject the notion of an accelerating downward trend, the small gain cannot confirm the emergence of renewed strength. Expectations for future economic changes showed the least change, with most of the June gain focused on a reassessment of current conditions. Overall, the data point toward slowing consumer spending in the year ahead." Curtin noted, "The resilience of consumers in the face of repeated economic shocks during the past five years has been remarkable. An essential determinant of their resilience is a belief in the underlying long-term stability of the economy." On vehicle purchases, Curtin observed, "In the June 2006 survey, favorable vehicle buying attitudes were held by 60 percent of all consumers, up from the decade low of 53 percent in May. Overall, the data indicate continued small declines in sales during the year ahead. High gas prices have also caused consumers to take a more critical view of the available makes and models offered for sale." On home buying attitudes, Curtin commented, "Among all home owners in the June 2006 survey, 66 percent rate home buying conditions favorably, although above the 63 percent recorded in May, it was well below the 78 percent from one year ago and 86 percent in March 2004. The decline has meant that home buying attitudes are now more negative than anytime in the last decade." In June, consumers in three of the four regions reported an increase in confidence. Northeastern consumers reported the largest increase in confidence of 9.5 index-points followed by Southern consumers with an increase of 8.8 index points. Western consumers reported an increase in confidence of 6.4 index-points. Midwestern consumers reported a slight decrease of 1.1 index-points. The gap across regions increased from last month to 16.5 index-points, with Western consumers on top and Midwestern consumers on the bottom.

The final estimate of real **Gross Domestic Product** for the second quarter of 2006 is \$11,385.3 billion (chained 2000 dollars), an increase of 2.5 percent at an annual rate. In the first quarter of 2006, real gross domestic product increased 5.6 percent. Personal consumption expenditures for services, private inventory investment, nonresidential structures, exports and state and local government spending led second quarter growth. Imports, which are a subtraction in calculating GDP, increased. Real personal consumption expenditures increased 2.5 percent in the second quarter compared to an increase of 4.8 percent in the first quarter. Real residential fixed investment decreased 6.3 percent in the second

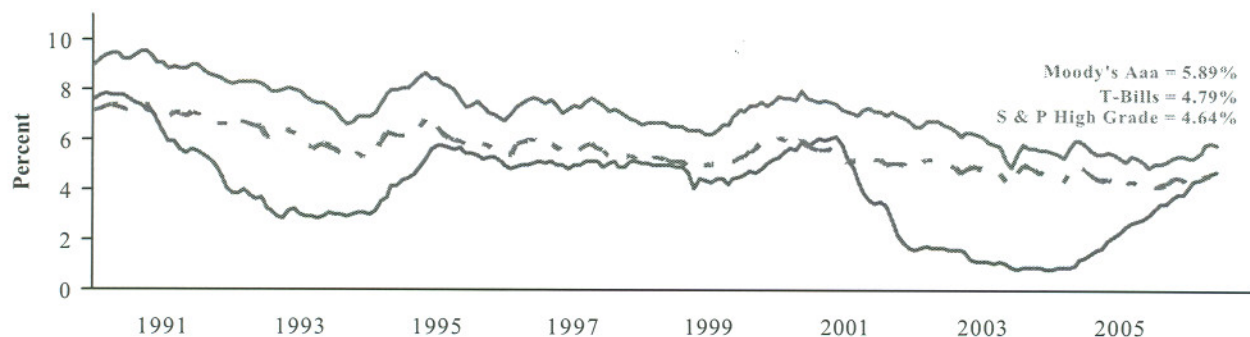


quarter compared to a decrease of 0.3 percent in the first quarter. Real nonresidential fixed investment increased 2.7 percent in the second quarter led by increased investment in nonresidential structures of 12.7 percent. Real federal government expenditures decreased 3.4 percent in the second quarter, compared to an increase of 8.8 percent in the first quarter. Real state and local government spending increased 3.0 percent in the second quarter, compared to a 2.7 percent increase in the first quarter. Exports of goods and services increased 3.3 percent in the second quarter, compared to a 14.0 percent increase in the first quarter. Imports increased 0.2 percent in the second quarter compared to an increase of 9.1 percent in the first quarter. Private inventory investment increased \$52.6 billion in the second quarter, up from a \$41.2 billion increase in the first quarter. Real final sales increased 2.1 percent in the second quarter compared to a 5.6 percent increase in the first quarter. On the inflation front, the **implicit price deflator** increased at a 3.3 percent annual rate in the second quarter the same as observed in the first quarter.

**U. S. retail prices**, as measured by the Consumer Price Index (CPI-U), increased 0.2 percent in June, down from a 0.4 percent increase in May. Energy decreased by 0.9 percent in June; compared to a 2.4 percent increase in May, while the all-items less food and energy component increased 0.3 percent. For the six months since November, the all-items index increased at a 4.7 percent annual rate.

Compared to June 2005, the all-items index increased 4.3 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 2.2 percent; housing, 4.2 percent; apparel, 0.5 percent; medical care, 4.1 percent; recreation, 1.9 percent; education and communication, 2.7 percent; and other goods and services, 2.9 percent, with tobacco prices up 4.8 percent; transportation 9.0 percent, with gasoline prices up 34.0 percent.

**Selected Key Interest Rates**



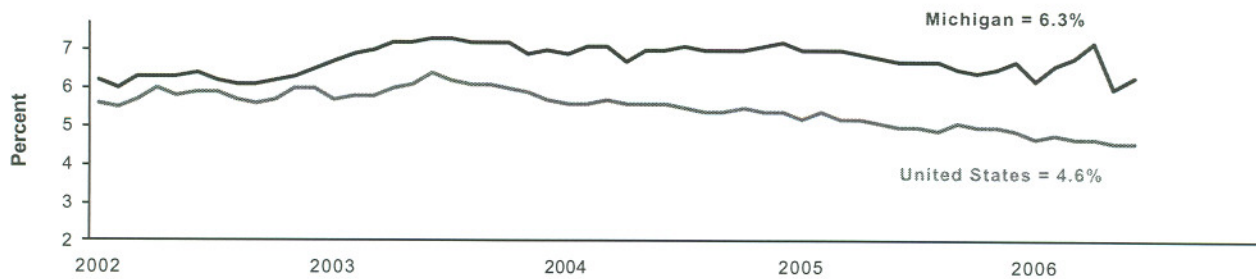
Source: Economic Indicators

Short-term **interest rates** increased 0.07 percentage points in June as the 3-month Treasury bill (T-bill) rate averaged 4.79 percent. Compared to one year ago, the T-bill rate is up 1.80 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, decreased 0.06 percentage points to an interest yield of 5.89 percent in June. Compared to one year ago, the Aaa bond yield is up 0.93 percentage points. The interest rate on High-grade municipal bonds increased 0.03 percentage points to 4.64 percent in June, and stands 0.56 percentage points above its year ago level. The Federal Open Market Committee (FOMC) raised the federal funds rate by 25 basis points at its June 29<sup>th</sup> meeting to 5.25 percent. The FOMC stated that, "Readings on core inflation have been elevated in recent months. Ongoing productivity gains have held down the rise in unit labor costs, and inflation expectations remain contained. However, the high levels of resource utilization and of the prices of energy and other

commodities have the potential to sustain inflation pressures.” The committee “will respond to changes in economic prospects as needed to support the attainment of its objectives.”

In June, the **U. S. unemployment rate** remained unchanged from a month ago at 4.6 percent and was down 0.4 percentage points from one year ago. Civilian employment totaled 144.4 million persons in June, up 0.4 million from May. The number of unemployed was 7.0 million nationwide.

#### Unemployment Rates 2002 - 2006



Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

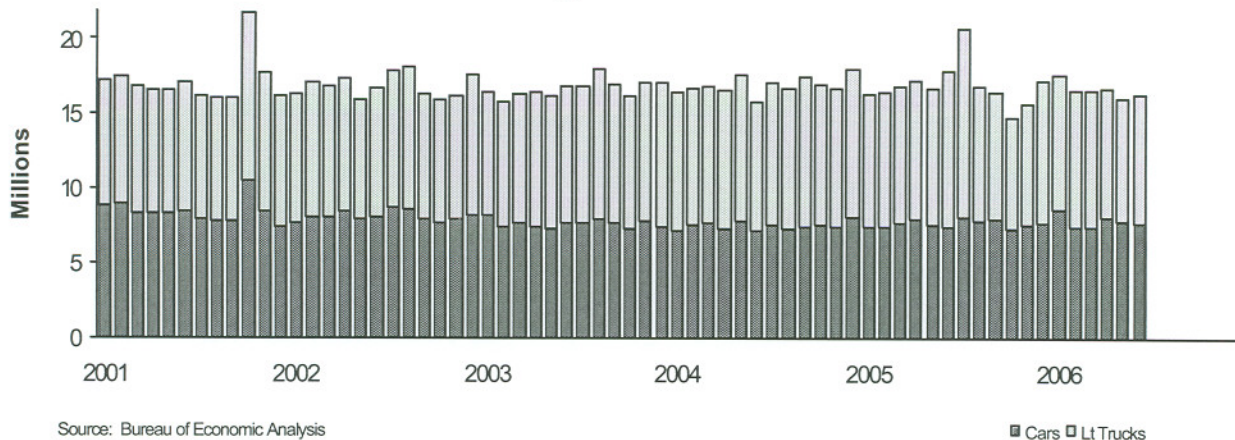
In June, the **Michigan jobless rate** increased 0.3 percentage points to 6.3 percent. Compared to a year ago, Michigan's jobless rate was 0.4 percentage points lower. From a month ago, the labor force increased by 23,000 to 5,115,000, while the number of people employed increased by 10,000 to 4,794,000. In June, there were 321,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors. Therefore, the three-month average of 6.5 percent may be a better measure of actual conditions.

**Detroit retail prices**, as measured by the Consumer Price Index (CPI-U), decreased 0.2 percent from April to June, down from a 1.2 percent increase from February to April. The all-items less food and energy index decreased 0.5 percent from April to June. The food index increased 0.3 percent from April to June while the energy index increased 1.5 percent. Compared to June 2005, the all-items index increased 3.8 percent. For individual component items, the increases from one year ago were: food and beverages, 0.9 percent; housing, 4.2 percent; transportation, 8.9 percent; medical care, 4.0 percent; education and communication 2.7 percent; other goods and services, 2.4 percent; the unadjusted decreases were: apparel, 9.3 percent.



## Motor Vehicle Sector

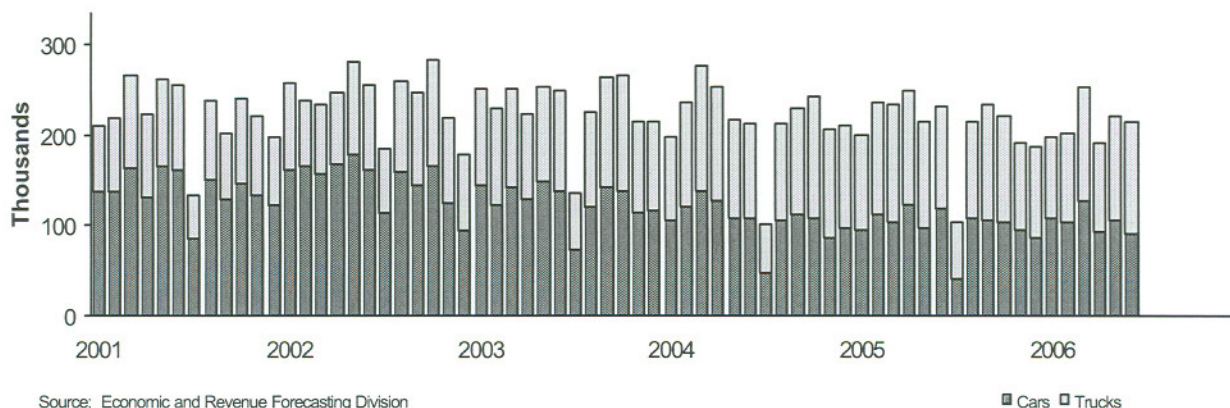
### U. S. Light Vehicle Sales



**U. S. light vehicle sales** (cars + light trucks) increased 0.2 million units in June compared to last month, selling at a 16.2 million unit seasonally adjusted annual rate. Domestic car sales decreased 1.2 percent while domestic light truck sales increased 3.9 percent. Import car sales decreased 0.9 percent while import light truck sales increased 2.0 percent. Compared to last year, light vehicle sales decreased 8.8 percent. Domestic car sales were up 0.2 percent while domestic light truck sales decreased 20.4 percent. Import car sales were up 9.5 percent while import truck sales rose 4.7 percent from last year. As a result, the domestic share decreased 3.5 percentage points from a year ago. For fiscal year 2006 year-to-date, domestic light vehicles have recorded a 78.7 percent share of a 16.4 million-unit market.

**Michigan motor vehicle production** decreased to 215,125 units in June. From a year ago, motor vehicle production decreased 7 percent in Michigan and rose 2 percent nationally. In June, Michigan's car production was 89,529 units while the state's truck production was 125,596 units. Compared with a year ago, car production decreased 24 percent in Michigan and decreased 2 percent nationwide. The state's truck production increased 9 percent while national truck production rose 5 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

### Michigan Motor Vehicle Production





**Summary Estimates of the Constitutional Revenue Limit  
Based on the May 17, 2006 Consensus Revenue Agreement  
(Article IX, Section 26)  
(in millions)**

	<b>Fiscal Year 2003-2004 Actual</b>	<b>Fiscal Year 2004-2005 Actual</b>	<b>Fiscal Year 2005-2006 Estimate</b>
Applicable Calendar Year Personal Income	\$303,745	\$314,460	\$324,134
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$28,825.4	\$29,842.3	\$30,760.3
Revenue Limit	\$28,825.4	\$29,842.3	\$30,760.3
State Revenue Subject to Limit	\$24,384.7	\$25,626.8	\$26,211.0
<b>Amount Under (Over) Limit</b>	<b>\$4,440.7</b>	<b>\$4,215.5</b>	<b>\$4,549.3</b>

Sources:

Personal Income Estimate

The FY 2003-04 calculation uses the official personal income estimate for calendar year 2002 (Survey of Current Business, August 2003).

The FY 2004-05 calculation uses the official personal income estimate for calendar year 2003 (Survey of Current Business, September 2004).

The FY 2005-06 calculation uses the official personal income estimate for calendar year 2004 (Survey of Current Business, October 2005).

Revenue Subject to the Limit

The FY 2003-04 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2004.

The FY 2004-05 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2005.

The FY 2005-06 calculation uses the May 17, 2006 Consensus Revenue Agreement.

Prepared By: Economic and Revenue Forecasting Division, Michigan Department of Treasury